

DEPARTMENT OF TRANSPORTATION**AUDITS AND INVESTIGATIONS**

1304 O STREET, SUITE 200

P. O. BOX 942874 – MS 2

SACRAMENTO, CA 94274-0001

PHONE (916) 323-7111

FAX (916) 323-7123

TTY 711

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June 16, 2010

Mr. Jim Kemp
Executive Director
Santa Barbara County Association of Governments
260 N. San Antonio Road, Suite B
Santa Barbara, CA 93110

Re: Santa Barbara County Association of Governments
Indirect Cost Allocation Plan for Fiscal Year 2009/10
File Number: P1591-0056

Dear Mr. Kemp:

We have audited the Santa Barbara County Association of Governments (SBCAG) Indirect Cost Allocation Plan (ICAP) for the fiscal year (FY) ended June 30, 2010, to determine whether the ICAP is presented in accordance with 2 Code of Federal Regulations (CFR) Part 225 and the California Department of Transportation's (Department) Local Programs Procedures (LPP) 04-10. SBCAG management is responsible for the fair presentation of the ICAP. SBCAG proposed an indirect cost rate of 49.39 percent of direct salaries and benefits.

Our audit was conducted in accordance with the Standards for Performance Audits set forth in the *Government Auditing Standards* issued by the Comptroller General of the United States of America. The audit was less in scope than an audit performed for the purpose of expressing an opinion on the financial statements of SBCAG. Therefore, we did not audit and are not expressing an opinion on SBCAG's financial statements.

The standards require that we plan and perform the audit to obtain reasonable assurance about whether the data and records reviewed are free of material misstatement, as well as material noncompliance with fiscal provisions relative to the ICAP. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the data and records reviewed. An audit also includes assessing the accounting principles used and significant estimates made by SBCAG, as well as evaluating the overall presentation.

The accompanying ICAP was prepared on a basis of accounting practices prescribed in 2 CFR Part 225 and the Department's LPP 04-10, and is not intended to present the results of operations of SBCAG in conformity with generally accepted accounting principles.

The scope of the audit was limited to select financial and compliance activities. The audit consisted of a recalculation of the ICAP, a limited review of the Overall Work Program, a review of SBCAG's single audit report for the FY ended June 30, 2008, inquiries of SBCAG personnel, and reliance placed on prior audit field work performed by Department staff in July 2007. We believe that our audit provides a reasonable basis for our conclusion.

Because of inherent limitations in any financial management system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the financial management system to future periods are subject to the risk that the financial management system may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

AUDIT RESULTS

Based on audit work performed, SBCAG's ICAP for the FY ended June 30, 2010, is presented in accordance with 2 CFR Part 225 and LPP 04-10. The approved indirect cost rate is 49.39 percent of direct salary and benefits. The approval is based on the understanding that a carry forward provision applies and no adjustments will be made to the previously approved rates.

SBCAG requested a provisional rate of 49.39 percent on December 12, 2009, for FY 2009/10. The Department's Audits and Investigation Division approved the provisional rate on December 17, 2010. Since the provisional rate and the approved rate are the same, no adjustment to previously reimbursed claims is necessary.

This report is intended for the information of SBCAG, Department Management, the California Transportation Commission and the Federal Highway Administration (FHWA). However, this report is a matter of public record and will be included on the "Reporting Transparency in Government" website.

Please retain the approved ICAP for your files. Copies were sent to the Department's District 5, the Department's Division of Accounting and FHWA. If you have any questions, please contact Barbara Nolan, Auditor, at (916) 323-7880, or Amada Maenpaa, Audit Manager, at (916) 323-7868.

Original signed by
MARYANN CAMPBELL-SMITH
Chief, External Audits – Local Governments

Attachment

c: Brenda Bryant, Director, Financial Services, Federal Highway Administration
Sue Kiser, Director, Planning and Air Quality, Federal Highway Administration
James Ogbonna, Chief, Rural Transit and Intercity Bus Branch, Division of Mass
Transportation
David Saia, LAPM/LAPG Coordinator, Caltrans Division of Local Assistance
Jenny N. Tran, Associate Account Analyst, Local Program Accounting Branch,
Local Assistance
Andrew Knapp, Associate Transportation Planner, Regional and Interagency Planning,
Division of Transportation Planning
Garin Schneider, DLAE, Chief, Office of Local Assistance, District 5 - Division of
Planning & Local Assistance
Patricia Mickelson, Associate Transportation Planner, Division of Planning & Local
Assistance, District 5
P1591-0056

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

INDIRECT COST PLAN

The indirect cost rate contained herein is for use on grants, contracts and other agreements with the Federal Government and California Department of Transportation (Caltrans), subject to the conditions in Section II. This plan was prepared by the Santa Barbara County Association of Governments and approved by Caltrans.

SECTION I: Rates

<u>Rate Type</u>	<u>Effective Period</u>	<u>Rate*</u>	<u>Applicable To</u>
Fixed with carry-forward	7/1/09 to 6/30/10	49.39%	All programs

* Base: Total direct salaries and wages plus fringe benefits

SECTION II: General Provisions

A. Limitations:

The rate(s) in this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract, or other agreement only to the extent that funds are available. Acceptance of the rate(s) is subject to the following conditions: (1) Only costs incurred by the organization were included in its indirect cost pool as finally accepted: such costs are legal obligations of the organization and are allowable under the governing cost principles; (2) The same costs that have been treated as indirect costs are not claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; (4) The information provided by the organization which was used to establish the rate(s) is not later found to be materially incomplete or inaccurate by the Federal Government or Caltrans. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government or Caltrans; (5) Prior actual costs used in the calculation of the approved rate are contained in the grantee's Single Audit which was prepared in accordance with OMB Circular A-133. If a Single Audit is not required to be performed, then audited financial statements should be used to support the prior actual costs; and (6) The estimated costs used in the calculation of the approved rate are from the grantee's approved budget in effect at the time of approval of this plan.

B. Accounting Changes:

This agreement is based on the accounting system purported by the organization to be in effect during the Agreement period. Changes to the method of accounting for costs which affect the amount of reimbursement resulting from the use of this Agreement require prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from indirect to direct. Failure to obtain approval may result in cost disallowances.

C. Fixed Rate with Carry-Forward:

The fixed rate used in this agreement is based on an estimate of the costs for the period covered by the rate. When the actual costs for this period are determined – either by the grantee's Single Audit or if a Single Audit is not required, then by the grantee's audited financial statements – any differences between the application of the fixed rate and actual costs will result in an over or under recovery of costs. The over or under recovery will be carried forward, as an adjustment to the calculation of the indirect cost rate, to the second fiscal year subsequent to the fiscal year covered by this plan.

D. Audit Adjustments:

Immaterial adjustments resulting from the audit of information contained in this plan shall be compensated for in the subsequent indirect cost plan approved after the date of the audit adjustment. Material audit adjustments will require reimbursement from the grantee.

E. Use by Other Federal Agencies:

Authority to approve this agreement by Caltrans has been delegated by the Federal Highway Administration, California Division. The purpose of this approval is to permit subject local government to bill indirect costs to Title 23 funded projects administered by the Federal Department of Transportation (DOT). This approval does not apply to any grants, contracts, projects, or programs for which DOT is not the cognizant Federal agency.

The approval will also be used by Caltrans in State-only funded projects.

F. Other:

If any Federal contract, grant, or other agreement is reimbursing indirect costs by a means other than the approved rate(s) in this Agreement, the organization should (1) credit such costs to the affected programs, and (2) apply the approved rate(s) to the appropriate base to identify the proper amount of indirect costs allocable to these programs.

G. Rate Calculation:

FY 2009-10 Budgeted Indirect Costs: (from Attachment 1)	\$1,076,019
Under (Over) Recovery Carry-Forward from FY 2007-08: (from Attachment 2)	<u>(136,891)</u>
Estimated FY 2009-10 Indirect Costs:	\$939,128
FY 2009-10 Budgeted Direct Salaries and Wages Plus Fringe Benefits: (from Attachment 1)	\$1,901,298
FY 2009-10 Indirect Cost Rate:	49.39%

CERTIFICATION OF INDIRECT COSTS

This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

- (1) All costs included in this proposal to establish billing or final indirect cost rates for fiscal year 2010 (July 1, 2009 to June 30, 2010) are allowable in accordance with the requirements of the Federal and State award(s) to which they apply and OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments." Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.
- (2) All costs included in this proposal are properly allocable to Federal and State awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently, and the Federal Government and Caltrans will be notified of any accounting changes that would affect the fixed rate.

I declare that the foregoing is true and correct.

Santa Barbara County Association of Governments

Reviewed, approved and submitted by:

Name: Jim Kemp
Title: Executive Director
Date: July 28, 2009

Signature

Prepared by:

Name: Martha Gibbs
Title: Finance Officer
Phone: (805) 961-8916

INDIRECT COST RATE APPROVAL

The State DOT has reviewed this indirect cost plan and hereby approves the plan.

Reviewed and approved by:

Signature

for
Name: MaryAnn Campbell-Smith
Title: Chief, External Audits
Date:
Phone: 916-323-7105

Name: Barbara Nolan
Title: Auditor
Date: March 9, 2010
Phone: 916-323-7880